

MCC COMPACT SUPPORT FUNDING

Summary of General Policy

Section 609(g) of the Millennium Challenge Act of 2003 provides that the Chief Executive Officer may enter into contracts or make grants for any eligible country for the purpose of facilitating the development and implementation of the Compact between the United States and the country.

MCC believes that eligible countries should own and manage the identification of their priorities for poverty reduction through sustainable economic growth as well as the process of proposal development, and MCC encourages a country to look to and consult with its own citizens and resources in order to maximize country ownership of the proposal. However, during MCC's discussion with the country of the country's proposal for MCC funding, technical assistance different from typical program assessment, evaluation, and design work may be warranted, which is the purpose of 609(g) funding. While it is difficult to anticipate every scenario, 609(g) assistance could address such things as the economic reasoning of the proposal, statistical issues or baseline surveys, engineering feasibility and design, and environmental impact assessments. MCC will consider 609(g) funding for Compact development and implementation activities only in the event of a demonstrated and justified need for such funding. In determining whether to provide 609(g) funding, during its preliminary evaluation of the proposal, MCC will analyze such factors as the country's consultative process, whether the proposal is likely to generate meaningful economic benefits, and whether the country has demonstrated a significant commitment of human and financial resources to the identification of priorities and development of the proposal. In addition, MCC must be satisfied that adequate financial controls, in terms of financial management and procurement processes, have been identified and that the country has developed an acceptable work plan (with timeline and estimated budget) for use of the 609(g) funding. Other restrictions or requirements may apply as appropriate, including any statutory requirements.

A commitment by MCC to provide 609(g) funding is not a guarantee that a Compact agreement will be reached or that a specific project associated with the 609(g) assistance will be funded by MCC. MCC's policy on 609(g) funding may be modified or amended at any time at the discretion of the MCC Chief Executive Officer.

Current 609(g) Funding Arrangements

Madagascar

To facilitate the implementation of the Madagascar Compact, MCC approved up to \$1.4 million in Section 609(g) funding for baseline surveys of households, farms, and businesses prior to Compact signature. Lack of data availability and a lack of resources to collect statistics in rural areas threatened to delay implementation of many program activities in order to collect baseline information. Section 609(g) funding allowed Madagascar's Institute of National Statistics

(INSTAT) to begin data collection for national Household, Enterprise, and Agricultural Productivity Surveys. MCC is working with the USAID Mission in Madagascar to provide oversight of the grant to INSTAT and with the U.S. Census bureau to provide technical assistance to INSTAT and the Ministry of Agriculture to ensure that data collection complies with standard statistical practices. All three surveys are currently underway, with data collection scheduled to be completed by November 2005, and final reports available by the beginning of January 2006.

Nicaragua

Section 609(g) funds totaling approximately \$117,500 will be used to augment the Living Standards Measurement Survey (LSMS), a three-month household survey that Nicaragua's National Institute of Statistics and Census (INEC) was already scheduled to begin in June 2005. MCC will fund INEC to add questions to the LSMS covering property titling and credit, which will be important to the monitoring and evaluation of the proposed MCC program. Multi-donor funding for the survey is being managed by UNDP.

Lesotho

Section 609(g) funds in the amount of \$1.4 million have been approved for the purpose of developing specific business and investment climate reform plans, expanding the feasibility study undertaken by the Government of Lesotho in connection with the Metolong Dam, conducting a feasibility study on waste water recycling, and completing baseline data collection for program economic analysis and monitoring and evaluation. The technical feasibility studies are necessary to undertake further technical preparation activities, enhance the quality of risk analysis, and revise project costs. These 609(g) funded activities are expected to be completed within 10 months.

Ghana

Funding in the amount of \$284,000 has been approved for program development in Ghana. Of this, \$57,000 will be used to expand a survey currently being done by USAID and the University of Ghana's Institute of Statistical, Social, and Economic Research. This expanded survey will provide the baseline data needed in order to measure the proposed program. The remaining \$227,000 is being used for technical assistance in the area of irrigation and other infrastructure to support the completion of program feasibility by the Government of Ghana.

Georgia

The Georgia proposal contemplates a 314 km road rehabilitation project with the objective of connecting the impoverished region of Samtskhe-Javakheti with the capital, Tblisi, to the east and to international neighbors, Turkey and Armenia, to the south. 609(g) funding in the amount of \$4.155 million was approved to fund the prerequisite studies necessary to ensure completion of the road rehabilitation project within the Compact term. The total amount includes \$4.0 million for a feasibility study, environmental impact assessment, and final design, \$0.1 million to carry out property inventories along the right of way, and \$0.055 million to cover the interim costs of an experienced project manager to coordinate and oversee the two activities.